

# USDA Rural Development

- We make home ownership a reality by removing some of the obstacles



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# Barriers to Home Ownership

- No down payment
- Low repayment ability
- Credit issues
- Homes need repairs
- Construction loans not available



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# Summary of Home Ownership Programs

- Guaranteed Rural Housing (GRH) Loans: market interest rate made by local lenders
- Direct Loans: subsidized interest rate made by local USDA Rural Development Offices



# Down Payment

- USDA Rural Development programs do not require a down payment
- Some closing costs can be included in the loan if the appraisal exceeds the purchase price
- Partner with organizations who provide down payment assistance



# Low Repayment Ability

- GRH loans are guaranteed by USDA Rural Development eliminating the requirement for Private Mortgage Insurance
- Direct loans are subsidized to reduce the monthly payment



# Credit Issues

- USDA Rural Development has credit requirements similar to other lenders
- USDA Rural Development has more flexibility in waiving credit issues
- USDA Rural Development can work with applicants who have no credit by looking at alternative credit



# Homes Need Repairs

- Older, more affordable homes usually need repairs:
  - Mechanical systems
  - Insulation
  - Windows, siding, roofing
- USDA Rural Development can include money for repairs in the loan package



# Construction Loans Not Available

- Hard for 1<sup>st</sup> time home buyer to qualify for a separate construction loan
- USDA Rural Development's Direct loan program can finance the construction phase, then convert to a permanent loan



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# Income Limits

- Based on family size for the county of residence as a % of Median Household Income:
  - GRH – 115%
  - Direct – 80%

# Repayment Ability

- 29% PITI (Principal + Interest + RE Taxes + Insurance)
- 41% TD (Total Debt)



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# Credit History

- If credit score is at least 660 and there are no judgments, we don't analyze credit history
- Credit issues may be waived if we determine:
  - Loan will reduce housing costs or
  - Circumstances were temporary, beyond applicant's control, and have been resolved

# Loan Limits

- Direct varies by county  
(\$113,700 - \$154,800)
- GRH limited by repayment ratios and  
income limits



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# Other Requirements

- U. S. citizen or a qualified alien
- Cannot already own an adequate home
- Personally occupy the home
- Unable to get a conventional loan
- Rural areas only



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# Eligibility Web Site

- Shows if a specific property is in an eligible area
- Maps of ineligible areas
- Check income eligibility



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# Where to go for more information

- Contact local USDA Rural Development Office serving your area
- <http://www.rurdev.usda.gov/in/>
- (317) 290-3100 ext 558
- [Paul.Neumann@in.usda.gov](mailto:Paul.Neumann@in.usda.gov)



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